



**CALIFORNIA
HIGH-SPEED RAIL
AUTHORITY**

BRIEFING: APRIL 2012 BOARD MEETING AGENDA ITEM #5

TO: Board Chairman Dan Richard

FROM: Shahin Pourvahidi, Project Delivery Director
Tom Fellenz, Acting Chief Executive Officer

DATE: April 5, 2012

RE: Item 5: Approval of Amendment to KPMG Contract

Summary and Recommendation

KPMG LLP's (KPMG) original contract (HSR 10-34) amount of \$2,500,000 is anticipated of being depleted in April, 2012. It was recognized from the onset that the original budgeted amount had been based on the early general planning work performed in prior years and did not accommodate for the increasing requirements of the program. The services of KPMG as Financial Consultant are needed and must be extended through Fiscal Year (FY) 2013-14 to assure consistency and retain institutional knowledge throughout the next 2.5 years which are critical to the completion of the 2012 business plan, annual updating of the HSR business plan, financial advice, analysis and participation on subcommittees through the procurement process for all 5 construction package contracts through the Initial Construction section in the Central Valley, completion and updating of FRA financial plans and grant agreements, preparation of Proposition 1A funding plans. The continuation of these services is critical to HSR to assure future Proposition 1A and federal funding for the \$6 billion Initial Construction Section through the Central Valley.

Authority Board action will be needed to amend the KPMG contract prior to the end of the fiscal year to enable the work to proceed uninterrupted. Therefore, Staff recommends the Board authorize the Acting Chief Executive Officer (CEO) to negotiate a contract amendment with KPMG through FY2013-14 in the amount of \$6.25 million (bringing the total contract amount to \$8.75 million).

Background

The following narrative describes the additional activities leading to the increased level of effort on behalf of KPMG:

- Substantial detail and number of iterations for the financial analysis were required to define the initial financial plan and then assess the various iterations associated with ridership updates, blended service, work on the bookends, and decisions related to proceeding to develop north or south first. New inputs were factored into the analysis almost weekly based on requests from the Authority and its leadership from August 2011 to date.

- Participation in the development of the business model, risk management, capital, operating cost and other sections of the business plan in addition to the funding and finance section
- Required revisions to the State funding plan and on-going discussions and meetings with Control Agencies and others related to the plan
- Extensive interaction with the Authority management and Board of Directors as the business plan was fine tuned
- Daily assistance with response to financial questions related to the structure of the plan from State, local and other officials
- Significant changes to the business plan from draft to final effectively requiring two financial plans to be developed
- Assistance with development of the first procurement RFQ and RFP. This transaction encompassed much effort related to commercial approach and structuring
- Assistance with analysis of financial information for RFQ responses
- Assistance with the preparation of a financial plan report to the Federal Railroad Administration related to the ICS

Going forward

The Authority will need the following support by fiscal year):

- April through June 2012 – The business plan will be delivered in early April. The following three months will include support for response to questions and comments from State, local and other officials, finalization of information for the FRA funding plan, preparation for the procurement of the second design-build package and related activities.
- July 2012 through June 2013 – Next fiscal year will include a significant amount of procurement support as two other design-build packages are procured, detailed analysis and development of approaches for station revenue sharing agreements, additional analysis on how and when the private sector will be brought into the project for operations, additional analysis of federal funding alternatives post-election and preparation of analysis for the coming business plan update.
- July 2013 through June 2014 – The following fiscal year will include an updated business plan. This plan will be required to more specifically analyse the approaches, timing and structures for private sector involvement and related to risk transfer. A full business plan will be required and it is expected that a funding plan will be needed for early works in the blended systems.

Attachments

HSRA Resolution # HSRA 12-12